

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-690

August 22, 2000

PUBLIC UTILITIES COMMISSION,
Investigation of Procedures for Approving
Reimbursable Expenses Made in
Implementing E-9-1-1

NOTICE OF INVESTIGATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Notice, we open an investigation of procedures to carry out the statutory requirement that the Maine Public Utilities Commission (Commission) determine the reasonableness of expenditures made by local exchange carriers (LECs) to implement the E-9-1-1 system. A Commission finding of reasonableness must be made before the Emergency Services Communications Bureau (Bureau) may reimburse a LEC for its incurred expenses. In accordance with the statute, the Commission, in consultation with the Bureau, has established procedures for reviewing and approving such expenses. The Bureau will currently follow these procedures upon receiving a reimbursement request from a LEC. Through this Investigation, we seek to determine if any revisions to these procedures are warranted.

II. LEGISLATIVE BACKGROUND

During the second session of the 119th Legislature, the Legislature approved revisions to Title 25 M.R.S.A. § 2927(3),¹ which describes the use of funds raised by a surcharge on customers' telephone bills for E-9-1-1. The amendment states:

The bureau, to the extent it determines sufficient funds are available in the E-9-1-1 fund, shall use revenues in the E-9-1-1 fund to reimburse local exchange carriers for eligible expenses incurred by the carriers. For purposes of this subsection, the term "eligible expenses" means expenses:

- A. Incurred in preparing, correcting, verifying or updating subscriber information for use in databases necessary to implement the E-9-1-1 system; and
- B. Determined by the Public Utilities Commission to meet the requirements of paragraph A and to be reasonable expenses for the services provided.

¹ An Act to Facilitate the Implementation for the E-9-1-1 System, P.L. 1999, ch. 651.

The Public Utilities Commission, in consultation with the Bureau, shall establish procedures for reviewing and approving expenses pursuant to paragraph B.

III. IMPLEMENTATION BACKGROUND

In March, 2000, Commission staff members met with representatives of the Bureau, the Telephone Association of Maine (TAM), Mid-Maine Telecom, Inc., and TDS Telecom, Inc. to establish procedures by which the Commission would verify eligible expenses for reimbursement. The parties to these discussions agreed upon the types of expenses that would be considered eligible, a procedure by which the Commission would approve upfront development costs incurred to create the databases, and a reimbursement level for ongoing maintenance expenses. The parties developed the ongoing maintenance reimbursement level by examining expenses in other states and the operating experience of certain LECs in Maine. The parties agreed that, absent changes resulting from further investigation, the LECs, the Bureau, and the Commission would follow these procedures in handling LEC expense reimbursement.

To determine whether these procedures are effective and appropriate for all LECs, we are issuing a summary to all affected parties through this Notice of Investigation. Through comments in this proceeding, any affected party may inform us of deficiencies in the procedures as they apply to a particular party. Upon review, and in consultation with the Bureau, we may revise the procedures for any or all LECs.

IV. PROCEDURES UNDER INVESTIGATION

The following paragraphs describe the procedures agreed to by the parties and under investigation in this proceeding. We invite interested persons to comment on any of these procedures, on the payment level determined for ongoing maintenance, and on the time frames for each step of the procedures.

A. Description of Reimbursable Expenses

"Eligible expenses" subject to reimbursement include both capital investments and expenses. These expenses are those incurred to prepare, correct, verify, or update databases necessary to implement the E-9-1-1 system. As such, they include upfront development costs (one-time investments or expenses incurred to develop databases) and ongoing maintenance expenses (expenses incurred to maintain these databases.) Only expenses that would not be incurred absent the E-9-1-1 system shall be reimbursed.

Upfront development includes (but is not limited to):

1. Preparing and updating databases: coordination with municipalities to develop identifiable road names and to exchange data and information, creation or modification of computer files that store relevant data, initial entry of data into databases, creation of computer software to manipulate

databases (e.g., sorting, merging, downloading, verifying, extracting), capital investment in equipment to create and maintain databases, creation of procedures for manipulating data, and documentation and training; and

2. Verifying and correcting databases: labor costs of visual verification, running of verification computer programs, and communication with municipalities.

Upfront development shall be considered complete when the E-9-1-1 system begins operation using data from the database.

Ongoing maintenance includes (but is not limited to) entry of revised and new data, verification of revisions and new data, transfer of data between databases and E-9-1-1 systems, communication with E-9-1-1 personnel regarding procedures and data, improvements and maintenance of computer programs, and trouble-shooting LECs' systems.

When expenses include contracted payment to an external vendor or a consultant, the vendor must disaggregate its bill to the degree necessary to identify E-9-1-1 tasks. When expenses include internal labor and materials, the expense may include reasonable overhead.

B. Procedures for approving upfront development costs

A LEC shall submit its bill and supporting explanation to the Bureau and the Commission simultaneously. Invoices shall be submitted at the end of upfront development or every four months, at the LEC's option. Supporting explanation shall be sufficient to justify the expenses and may include such items as labor time and cost differentiated by function, overhead, invoices for capital costs, and invoices for payments to external vendors.

Within 10 days of receiving a bill, the Bureau shall inform the Commission of any concerns it has regarding the bill. If, within 30 days of receiving a LEC's bill, the Commission has not directed suspension of payment, the bill shall be deemed approved. After the Commission has approved the bill and after the Bureau has determined that sufficient funds are available, the Bureau shall reimburse the LEC within a time frame agreed upon between the Bureau and the LEC.

The Commission may direct suspension of payment within 30 days of receiving a LEC's bill by sending to the LEC and the Bureau a letter describing the Commission's concerns or questions and requesting additional information. The LEC shall respond within 10 days. The Commission shall determine its approved level of reimbursement within 30 days of receiving the LEC's response. The Commission may extend the 30-day period if the LEC, the Bureau and the Commission agree. In this

instance, the Bureau shall not reimburse the LEC until the Commission approves a reimbursement level.

C. Procedures for reimbursement of ongoing maintenance expenses

The Bureau shall reimburse each LEC at a rate of \$0.088 cents per LEC access line per month. Any party may petition the Commission to revise the \$0.088 cent payment level, and the Commission, the LEC, and the Bureau shall attempt to agree on a revised payment level. Should agreement not be reached, the Commission shall determine whether a revised payment level should be implemented and what that level should be. A LEC's ongoing maintenance payment level shall not be revised more than twice before July 2005. The Bureau shall reimburse each LEC within a time frame agreed upon by the Bureau and the LEC.

D. Audit expenses²

When a LEC's expenses related to E-9-1-1 are difficult to quantify or in dispute, a LEC may find it useful to include examination of these operations in its annual audit. The audit is required by Title 35-A § 505 and by Chapter 710 of the Commission's rules and, therefore, the Commission shall not consider the expense of such audit to be a reimbursable expense. If, under unusual circumstances, a LEC incurs significant expense in conducting an audit of its E-9-1-1 operations, it may petition the Commission to approve that expense for reimbursement.

V. DISCUSSION AND DECISION

Based on our understanding of E-9-1-1 implementation in Maine and in other states, we tentatively conclude that the procedures, maintenance payment rates, and time frames described above are reasonable. We open this investigation to determine whether additional information exists that indicates that these procedures should be revised, either for all LECs or for individual LECs.

Interested persons may file comments by September 4, 2000, on the procedures, payment levels, or time frames described in this Notice of Investigation. Comments should be addressed to Dennis L. Keschl, Administrative Director and include the docket number, Docket No. 2000-690.

We will request further information from commenters or affected persons, if necessary, by September 10, 2000. After review of all comments, we will issue an order summarizing the appropriate procedures, maintenance payment rates, and time frames.

² The parties did not discuss reimbursement for expenses the LECs might incur for audits of expenses incurred to implement E-9-1-1. However, the question of whether such an audit constitutes a reimbursable task has arisen in discussion among parties. We include our recommended approach for comment.

The Administrative Director shall send copies of this Notice of Investigation to:

1. Facilities-Based Local Exchange Carriers in the State that have been assigned central office exchange codes (NXXs);
2. The Emergency Services Communications Bureau; and
3. The Office of the Public Advocate.

Dated at Augusta, Maine, this 22nd day of August, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond